

**HEALTH CARE REFORM COST AND SAVINGS ESTIMATE
RECONCILIATION PROPOSAL
STATE FISCAL YEAR 2018-19**

COST AND SAVINGS ELEMENTS
(Dollars in Thousands)

| COST/(SAVINGS) ELEMENT | SENSITIVITY ESTIMATE | 50% TAKE UP | | 75% TAKE UP | | 100% TAKE UP | |
|-------------------------------------|----------------------|---------------|-------------|---------------|-------------|---------------|-------------|
| | | TF | GF | TF | GF | TF | GF |
| Mandated Costs | | | | | | | |
| Eligibility expansion | - | \$3,422,000 | \$332,000 | \$5,136,000 | \$499,000 | \$6,850,000 | \$666,000 |
| Healthy Families Shift | - | \$554,000 | \$277,000 | \$603,000 | \$301,000 | \$652,000 | \$326,000 |
| Primary care rate increase | 100% of Medicare | \$1,032,000 | \$498,000 | \$1,058,000 | \$502,000 | \$1,084,000 | \$506,000 |
| Managed Care Tax | | \$79,000 | \$39,000 | \$79,000 | \$39,000 | \$79,000 | \$39,000 |
| Additional Required Costs | | | | | | | |
| Coverage of eligible but unenrolled | - | \$704,000 | \$352,000 | \$1,050,000 | \$528,000 | \$1,407,000 | \$704,000 |
| Administrative Costs (Ongoing) | | \$16,000 | \$8,000 | \$16,000 | \$8,000 | \$16,000 | \$8,000 |
| Outpatient rate increase | 80% of Medicare | \$3,955,000 | \$1,855,000 | \$4,134,000 | \$1,884,000 | \$4,313,000 | \$1,913,000 |
| Direct Costs (Savings) | - | (\$636,000) | (\$425,000) | (\$636,000) | (\$425,000) | (\$636,000) | (\$425,000) |
| Bright Line (Savings) | - | (\$954,000) | (\$477,000) | (\$954,000) | (\$477,000) | (\$954,000) | (\$477,000) |
| State Program Savings | Low | (\$359,000) | (\$152,000) | (\$359,000) | (\$152,000) | (\$359,000) | (\$152,000) |
| | High | (\$1,435,000) | (\$608,000) | (\$1,435,000) | (\$608,000) | (\$1,435,000) | (\$608,000) |

GENERAL FUND IMPACT SUMMARY
(Dollars in Thousands)

| ASSUMPTIONS ¹ | | NET COST | | |
|----------------------------|-------------------------------------|-------------|-------------|--------------|
| | | 50% take up | 75% take up | 100% take up |
| Low State Program Savings | Primary care rate increase only | \$451,000 | \$823,000 | \$1,195,000 |
| | Additional outpatient rate increase | \$2,307,000 | \$2,707,000 | \$3,108,000 |
| High State Program Savings | Primary care rate increase only | (\$5,000) | \$367,000 | \$739,000 |
| | Additional outpatient rate increase | \$1,850,000 | \$2,251,000 | \$2,651,000 |

Numbers may not add due to rounding.

| Administrative Costs (Initial) | | | | | | |
|---------------------------------|-------------|-----------|-------------|-----------|--------------|-----------|
| COST/(SAVINGS) ELEMENT | 50% take up | | 75% take up | | 100% take up | |
| | TF | GF | TF | GF | TF | GF |
| Administrative Costs (One-time) | \$1,112,000 | \$556,000 | \$1,112,000 | \$556,000 | \$1,112,000 | \$556,000 |

¹ Assumptions include either low or high state program savings and either of two rate scenarios: 1) mandated primary care rate increase only; or 2) mandated primary care rate increase plus increase to 80% of Medicare rates for non-primary care outpatient services. Net costs also include direct savings, mandated costs, coverage of eligible but unenrolled, and ongoing administrative costs.

**HEALTH CARE REFORM COST AND SAVINGS ESTIMATE
RECONCILIATION PROPOSAL
STATE FISCAL YEAR 2018-19**

| COST/(SAVINGS) ELEMENT | SENSITIVITY ESTIMATE | RECONCILIATION PROPOSAL |
|--|-----------------------------|---|
| Mandated Costs | | |
| Eligibility expansion | - | <ul style="list-style-type: none"> Expand eligibility to 133% of FPL for individuals who are not currently eligible. FFP for newly eligible individuals: 100% FFP from 2014 to 2016; 95% FFP in 2017; 94% FFP in 2018; 93% FFP in 2019; 90% FFP in 2020 and beyond. Includes eligibility determination costs at 50% FFP. Assumes various take up rates and no asset test. Assumes a 10% shift from employer coverage, a 50% shift from privately purchased insurance, and a 100% shift from county programs to Medi-Cal. |
| Healthy Families shift | - | <ul style="list-style-type: none"> Assumes all Healthy Families eligible children to 133% are shifted to Medi-Cal at 50% FFP. Includes those eligible but unenrolled. Includes eligibility determination costs at 50% FFP. |
| Primary care rate increase | 100% of Medicare | <ul style="list-style-type: none"> Primary care rates to 100% of Medicare rates with 100% FFP in 2013 and 2014. Assumes the state will not be able reduce primary care rates to pre-2013 levels thus primary care rates will continue at 100% of Medicare rates in 2015 and beyond. Primary care rates will receive regular FFP in 2015 and beyond. |
| Managed care tax | | <ul style="list-style-type: none"> Annual fee on health insurance sector (estimated 1.5% on Managed Care). Does not include tax on new enrollees who enroll in Managed Care. |
| Additional Required Costs | | |
| Coverage of eligible but unenrolled | - | <ul style="list-style-type: none"> Cover currently eligible but unenrolled individuals to 133% of FPL. Includes eligibility determination costs at 50% FFP. Assumes various take up rates and no asset test. |
| Administrative costs (ongoing) | - | <ul style="list-style-type: none"> Partial staff resources for eligibility expansion/provider changes. Partial outreach media campaign |
| Outpatient rate increase | 80% of Medicare | <ul style="list-style-type: none"> 80% of Medicare beginning in 2013 to coincide with mandated primary care rate increases. |
| Direct Costs (Savings) | - | <ul style="list-style-type: none"> Federal retention of increase in federal rebates (20% of rebates) Managed Care Drug rebate savings. General Fund savings from 23-percentage point increase in CHIP match rate. |
| Bright Line (Savings) | - | <ul style="list-style-type: none"> Assume 1931(b) parents (citizens, legal residents, and nondocumented residents) over 133% FPL will no longer be Medi-Cal eligible (21% of current 1931(b) parents). Assume citizens and legal residents will shift to the Exchange. |
| State Program Costs (Savings) | Low | <ul style="list-style-type: none"> 20% of potential savings for elimination/federalization of state programs. |
| | High | <ul style="list-style-type: none"> 80% of potential savings for elimination/federalization of state programs. |
| Administrative Costs (One-time) | | <ul style="list-style-type: none"> Eligibility system modernization. Full Staff resources for eligibility expansion/provider changes (3 years). Full Media Campaign (5 years). |

Note: Cost and savings estimates have been adjusted for inflation and/or population growth (6% annual for Medi-Cal Costs, 1.45% annual for Eligibility Determinations, and 6% annual for State-Only Programs). Inpatient rate increases have not been assumed but would cost an additional \$900 million to \$1.25 billion in General Funds, not adjusted for inflation. General Fund impact may also be greater than estimated depending on demand of newly enrolled individuals for county-administered programs including mental health, alcohol and drug treatment, and in-home supportive services and due to the loss of Disproportionate Share Hospital (DSH) funding for county hospitals. Reduction to the state's DHS funding has not been included. Costs to California for the expansion population will increase further in the year 2020 when federal financial participation for the expansion population decreases to 90 percent. Finally, we note that uncertainties in enrollment/population/caseload and other economic factors over the ten-year estimate window may impact long-term costs and savings. Changes in those factors relative to current assumptions may produce fluctuations in costs or savings above or below the estimates presented here.